Relocating from Singapore to Switzerland

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The reverse move is less common but increasingly seen as families return to Europe. Singapore has no exit tax other than the deemed exercise rule, so the founder leaves with his tokens untaxed. On arrival in Switzerland he becomes subject to worldwide income and wealth taxation from the date he takes up domicile. His tokens enter the Swiss wealth tax base at their market value on 31 December of the year of arrival. His staking rewards, lending income and airdrops become taxable income from the arrival date. Whether he is a private investor or a professional trader is assessed afresh under Circular 36 and the FTA's practice on crypto. A trading pattern that IRAS never questioned may be classed as professional in Switzerland.[1]

The alternative is lump-sum taxation in Zug, which is open to a founder who has not been Swiss-resident in the preceding ten years and who takes up no Swiss employment. A founder who intends to run his protocol from Zug cannot use it, because running the protocol is gainful activity in Switzerland. A founder who has sold his business and wishes to live in Zug as an investor can. For a token portfolio of any size the lump sum is almost always cheaper than ordinary taxation including wealth tax. Part G, Chapter VI sets out the conditions and Part P, Chapter I the arithmetic. The decision also depends on permits. A Swiss B permit for a non-EU national who is not employed requires either lump-sum taxation of fiscal interest to the canton or a sufficient pension-type income. The cantonal migration office and the tax office coordinate on the application.

Client question

"I hold a Singapore ONE Pass and run my company from Singapore. I want to move to Zug and keep the Singapore company. What changes?" Your personal tax residence moves to Switzerland and your worldwide income and wealth, including your tokens, become taxable there at ordinary rates unless you qualify for the lump sum, which you do not if you keep working. Your Singapore company stays Singapore-resident only if its board continues to meet and decide in Singapore. If you take the decisions from Zug, Switzerland will treat the company as Swiss-resident under Art. 50 of the Direct Federal Tax Act and the DTA tie-breaker will point to Switzerland. You should appoint Singapore-resident directors with real authority, limit your own role to shareholder and keep the minutes to prove it.

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Notes

1. Federal Tax Administration (FTA; ESTV), Circular No. 36 on professional securities trading of 27 July 2012, and the FTA working paper on cryptocurrencies and tokens, current version. See Part G, Chapter II.

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